

806 KAR 30:050. Prepayment or refinancing.

RELATES TO: KRS 304.30-050

STATUTORY AUTHORITY: KRS 304.30-070

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.30-070 authorizes the commissioner to make reasonable administrative regulations to effectuate the provisions of Subtitle 30 of the Kentucky Insurance Code and to regulate the manner in which licensed insurance premium finance companies conduct their business. This administrative regulation sets forth the requirements for a premium finance company if the debtor prepays the debt, or if the insurance contract is cancelled, or if the financing agreement is modified.

Section 1. Prepayment, Voluntary or through Cancellation. In the event of the prepayment before maturity or the cancellation of the insurance contracts listed in the agreement upon default by the insured, the insured shall receive for such prepayment (voluntary or involuntary) a refund thereon. The amount of such refund shall represent at least as great a proportion of the service charge as the sum of the periodic balances after the month in which prepayment is made bears to the sum of all periodic balances under the schedule of installments in the agreement. Before making any such refund, the holder licensee need not refund and may retain a minimum charge of ten (10) dollars per premium finance contract and an additional sum of one (1) dollar to a maximum of five (5) percent of the final installment in default for a period of five (5) days or more before cancellation. When the amount of the refund due the insured is less than one (1) dollar, no refund need be made. Refunds hereunder shall be made forthwith without the necessity of demand by the insured.

Section 2. Refinancing. A premium finance company may, upon agreement with the insured, extend the scheduled due date or defer the scheduled payment of all or of any part of any installment or installments payable thereunder. The agreement for such extension of deferment must be in writing and signed by the parties thereto. The premium finance company may charge and contract for the payment of an extension of deferral charge by the insured and collect and receive the same, but such charge may not exceed an amount equal to eight (8) dollars per year on the amount of the installment or installments, or part thereof, are made payable under the agreement of extension or deferment; except that a minimum charge of one (1) dollar for the period of extension or deferral may be made in any case where the extension or deferral charge, when computed at such rate, amounts to less than one (1) dollar. (1 Ky.R. 1087; eff. 7-2-75; TAm eff. 8-9-2007; Crt eff. 2-26-2020; TAm eff. 3-10-2020.)